

**REPORT OF THE AUDIT OF THE  
NELSON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Watts, County Judge/Executive  
Honorable Phyllis Mattingly, Nelson County Clerk  
Members of the Nelson County Fiscal Court

The enclosed report prepared by Stephens & Lawson, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Nelson County, Kentucky, for the year ended December 31, 2001.

We engaged Stephens & Lawson, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, PSC, evaluated the Nelson County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
NELSON COUNTY CLERK**

**Calendar Year 2001**



## **EXECUTIVE SUMMARY**

### **NELSON COUNTY PHYLLIS MATTINGLY, COUNTY CLERK CALENDAR YEAR 2001 FEE AUDIT**

The Nelson County Clerk's 2001 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$37,905 from the prior calendar year, resulting in a cash surplus of \$325,832 as of December 31, 2001. Revenues increased by \$344,455 from the prior year and disbursements increased by \$306,550.

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.

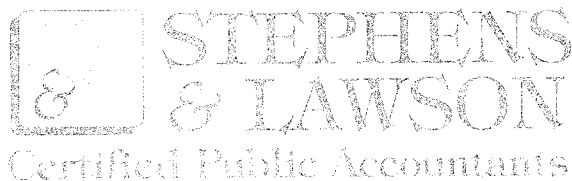




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To the People of Kentucky

Honorable Paul E. Patton, Governor  
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Honorable Phyllis Mattingly, Nelson County Clerk  
Members of the Nelson County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Nelson County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
October 2, 2002

**NELSON COUNTY**  
**PHYLLIS MATTINGLY, COUNTY CLERK**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**

Calendar Year 2001

**RECEIPTS**

|  |    |               |                  |
|--|----|---------------|------------------|
| Fiscal Court                               |    | \$            | 31,951           |
| Licenses and Taxes:                        |    |               |                  |
| Motor Vehicle -                            |    |               |                  |
| Licenses and Transfers                     | \$ | 944,658       |                  |
| Usage Tax                                  |    | 3,337,417     |                  |
| Tangible Personal Property Tax             |    | 2,413,849     |                  |
| Lien Fees                                  |    | 29,511        |                  |
| Licenses -                                 |    |               |                  |
| Marriage                                   |    | 7,987         |                  |
| Deed Transfer Tax                          |    | 119,070       |                  |
| Delinquent Tax                             |    | <u>86,236</u> | 6,938,728        |
| Fees Collected For Services:               |    |               |                  |
| Recordings -                               |    |               |                  |
| Deeds, Easements, and Contracts            | \$ | 29,700        |                  |
| Real Estate Mortgages                      |    | 100,628       |                  |
| Chattel Mortgages and Financing Statements |    | 114,546       |                  |
| Powers of Attorney                         |    | 2,382         |                  |
| All Other Recordings                       |    | 51,910        |                  |
| Charges for Other Services -               |    |               |                  |
| Copywork                                   |    | 10,738        |                  |
| Tax Bills                                  |    | 6,014         |                  |
| Elections                                  |    | 12,065        |                  |
| Miscellaneous                              |    | <u>1,114</u>  | 329,097          |
| Other:                                     |    |               |                  |
| Returned Checks Recovered                  |    |               | 14,406           |
| Interest Earned                            |    |               | <u>7,821</u>     |
| <b>TOTAL RECEIPTS (CARRIED FORWARD)</b>    |    | \$            | <b>7,322,003</b> |

The accompanying notes are an integral part of the financial statement.

**NELSON COUNTY**  
**PHYLLIS MATTINGLY, COUNTY CLERK**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**  
 Calendar Year 2001  
 (Continued)

**DISBURSEMENTS**

Payments to State:

|                                |    |               |              |
|--------------------------------|----|---------------|--------------|
| Motor Vehicle -                |    |               |              |
| Licenses and Transfers         | \$ | 725,352       |              |
| Usage Tax                      |    | 3,237,159     |              |
| Tangible Personal Property Tax |    | 906,986       |              |
| Licenses -                     |    |               |              |
| Delinquent Tax                 |    | 14,614        |              |
| Legal Process Tax              |    | 39,550        |              |
|                                |    | <u>39,550</u> | \$ 4,923,661 |

Payments to Fiscal Court:

|                                |    |                |         |
|--------------------------------|----|----------------|---------|
| Tangible Personal Property Tax | \$ | 285,236        |         |
| Delinquent Tax                 |    | 15,048         |         |
| Deed Transfer Tax              |    | <u>113,116</u> | 413,400 |

Payments to Other Districts:

|                                |    |               |           |
|--------------------------------|----|---------------|-----------|
| Tangible Personal Property Tax | \$ | 1,154,584     |           |
| Delinquent Tax                 |    | <u>33,503</u> | 1,188,087 |

Payments to Sheriff 1,248

Payments to County Attorney 12,809

Operating Disbursements and Capital Outlay:

|                                   |    |              |         |
|-----------------------------------|----|--------------|---------|
| Personnel Services -              |    |              |         |
| Deputies' Salaries                | \$ | 235,629      |         |
| Employee Benefits -               |    |              |         |
| Employer's Share Social Security  |    | 22,872       |         |
| Employer's Paid Health Insurance  |    | 39,128       |         |
| Contracted Services -             |    |              |         |
| Advertising                       |    | 240          |         |
| Rental and Maintenance Agreements |    | 21,044       |         |
| Materials and Supplies -          |    |              |         |
| Office Supplies                   |    | 25,194       |         |
| Other Charges -                   |    |              |         |
| Conventions and Travel            |    | 4,377        |         |
| Dues and Miscellaneous            |    | 9,344        |         |
| Postage                           |    | 5,006        |         |
| Repairs                           |    | 2,744        |         |
| Returned Checks                   |    | 14,406       |         |
| Capital Outlay -                  |    |              |         |
| Office Equipment                  |    | <u>3,318</u> | 383,302 |

The accompanying notes are an integral part of the financial statement.

**NELSON COUNTY**  
**PHYLLIS MATTINGLY, COUNTY CLERK**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**  
Calendar Year 2001  
(Continued)

**DISBURSEMENTS** (Continued)

|  |                    |
|--|--------------------|
| Total Disbursements                            | \$ 6,922,507       |
| Net Receipts                                   | \$ 399,496         |
| Less: Statutory Maximum                        | <u>70,064</u>      |
| Excess Fees                                    | \$ 329,432         |
| Less: Expense Allowance                        | <u>3,600</u>       |
| Excess Fees Due County for Calendar Year 2001  | \$ 325,832         |
| Payment to County Treasurer - January 22, 2002 | <u>325,832</u>     |
| <b>BALANCE DUE AT COMPLETION OF AUDIT</b>      | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of the financial statement.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**December 31, 2001**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Fund Accounting**

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

**B. Basis of Accounting**

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

**C. Cash and Investments**

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**NOTE 2 – EMPLOYEE RETIREMENT SYSTEM**

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**December 31, 2001**  
**(Continued)**

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)**

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

**NOTE 3 - DEPOSITS**

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

**NOTE 4 - LEASES**

**A. Copier**

The office of the County Clerk entered into a lease agreement with Fidelity Leasing, Inc. for a copier. The agreement requires a monthly payment of \$68 for 48 months to be completed on November 27, 2002. The balance of the agreement is \$748 as of December 31, 2001.

**B. Copier**

The office of the County Clerk entered into a lease agreement with Xerox Corporation for a copier. The agreement requires a monthly payment of \$151 for 60 months to be completed on October 10, 2003. The balance of the agreement is \$3,163 as of December 31, 2001. This agreement was subsequently paid off in February 2002.

**C. Copier**

The office of the County Clerk entered into a lease agreement with Better Quality Digital Imaging Solutions for a copier. The agreement requires a monthly payment of \$317 for 63 months. The balance of the agreement is \$19,965 as of December 31, 2001.



**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**December 31, 2001**  
**(Continued)**

**NOTE 4 - LEASES (Continued)**

**C. Copier – Continued**

| <u>Year Ending</u> | <u>Principal and<br/>Interest Due</u> |
|--------------------|---------------------------------------|
| December 31, 2002  | \$ 3,803                              |
| December 31, 2003  | 3,803                                 |
| December 31, 2004  | 3,803                                 |
| December 31, 2005  | 3,803                                 |
| December 31, 2006  | 3,803                                 |
| Thereafter         | <u>950</u>                            |
| Total              | \$ <u>19,965</u>                      |

**D. Computer Hardware**

The office of the County Clerk is committed to a lease agreement with Software Management, Inc. for a main computer station and five (5) terminals. The agreement requires a monthly payment of \$759 for 60 months to be completed on April 6, 2005. The balance of the agreement is \$30,360 as of December 31, 2001.

| <u>Year Ending</u> | <u>Principal and<br/>Interest Due</u> |
|--------------------|---------------------------------------|
| December 31, 2002  | \$ 9,108                              |
| December 31, 2003  | 9,108                                 |
| December 31, 2004  | 9,108                                 |
| December 31, 2005  | <u>3,036</u>                          |
| Total              | \$ <u>30,360</u>                      |

**E. Computer Software**

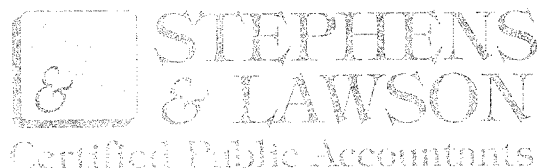
The office of the County Clerk is committed to a lease agreement with Software Management, Inc. for software (CCLIX Full Service-6 terminal access and delinquent tax). The agreement requires a monthly payment of \$475 for 60 months to be completed on April 30, 2005 and a \$25 annual service fee. The balance of the agreement is \$30,360 as of December 31, 2001.

| <u>Year Ending</u> | <u>Principal and<br/>Interest Due</u> |
|--------------------|---------------------------------------|
| December 31, 2002  | \$ 5,700                              |
| December 31, 2003  | 5,700                                 |
| December 31, 2004  | 5,700                                 |
| December 31, 2005  | <u>1,900</u>                          |
| Total              | \$ <u>19,000</u>                      |

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**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Watts, County Judge/Executive  
Honorable Phyllis Mattingly, Nelson County Clerk  
Members of the Nelson County Fiscal Court  
Honorable Dean Watts, County Judge/Executive

Report on Compliance and on Internal Control Over Financial Reporting Based on an  
Audit of the Financial Statement Performed in Accordance With Government Auditing Standards

We have audited the Nelson County Clerk as of December 31, 2001, and have issued our report thereon dated October 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nelson County Clerk's financial statement as of December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nelson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
October 2, 2002